

China Merchants Property Development Co., Ltd.

Announcement on the Related Transaction

The members of the Board and the Company accept the responsibilities for the truthfulness, accuracy, and completeness of the announcement. There isn't any false record, misleading statement or significant omission carried in this announcement.

The Notice on the 5th Temporary Meeting in 2014 of the 7th Board of Directors of the Company was delivered to all the Directors, Supervisors and senior management via special person delivery and email etc. on June 6, 2014. On June 11, 2014, the Meeting was held through communication, 11 Directors shall have attended the Meeting and 11 Directors actually attended the Meeting. The calling and holding of the Meeting comply with the provisions of the related laws, regulations and Articles of Association. Five related Directors avoided the voting, and the non-related Directors examined and approved the *Proposal on the Related Transaction of Purchasing the Land Use Right of Sea World Chuantou Square from Shekou Industrial Zone* with 6 concurring votes, 0 negative vote and 0 abstention vote. The specific conditions are as follows:

I. Overview of the related transaction

The wholly-owned subsidiary company of the Company Shenzhen China Merchants Properties and Investment Co., Ltd. (hereinafter referred to as “China Merchants Properties”) plans to sign the *Land Use Right Confirmation Contract* with the substantial shareholder of the Company China Merchants Shekou Industrial Zone Co., Ltd. (hereinafter referred to as “Shekou Industrial Zone”), purchasing the land use right of the block with the number of 2014-003-0005 of Sea World Block from Shekou Industrial Zone. The total block transfer area is 6999.03 square meters, the building area is 6299.00 square meters, and the block total transaction price is RMB 79.04 million Yuan.

Shekou Industrial Zone is the holding shareholder of the Company, and this transaction is a related transaction.

The above-mentioned related transaction does not constitute major assets restructuring prescribed in the *Regulations on the Restructuring of the Major Assets of the Listed Companies*.

II. Basic condition of the related party

Shekou Industrial Zone is the holding shareholder of the Company, which was established in February 1992. The registered address is the New Times Square, No.1 Taizi Road, Shekou, Nanshan District, Shenzhen. The legal representative is Sun Chengming. The registered capital is RMB 2,236 million Yuan. The main businesses are as follows: internet access service (with the valid date until July 24th, 2014), communication and transportation, industrial manufacturing, finance and insurance, foreign trade, property, post and communication, travel service, artistic performance, cable broadcasting and television business, investment and management of hotel and other all kinds of enterprises, real estate development and management, scientific research and technical service, property management, dock and warehousing services, water and land construction engineering, sales of the products of its affiliated enterprises and supply and sales of the equipment, raw materials and parts needed, holding of sport games, provision of the technical, operation, legal consultation and information services related to the above-mentioned businesses. (In the managed projects approved according to the law, business activities can be carried out after being approved by the relevant departments.)

The main financial indexes of Shekou Industrial Zone: up till December 31, 2013, the total amount of assets is RMB 152,063.65 million Yuan, the total amount of liabilities is RMB 112,067.92 million Yuan, the net assets belonging to the owner of the parent company is RMB 13,987.82 million Yuan, the operating income of the company in 2013 is RMB 34,520.70 million Yuan, and the net profit belonging to the owner of the parent company is RMB 2,779.1 million Yuan.

III. Basic condition of the transaction target

The target of this transaction is the Sea World Block in Shekou, Shenzhen. The Sea World Block is located at the Shenzhen-Hong Kong transportation hub, which is the

starting point of the 15-km coastal leisure shoreline of Shenzhen. It has superior geographical location, convenient traffic and unique mountain and sea resources and international human culture characteristics.

On January 20, 2003, Shekou Industrial Zone signed the *Agreement on Handling the Land Use Problems of Shekou Industrial Zone* with Shenzhen Planning and Land Resources Bureau, and got the use right of unused state-owned land of 2.32 square km in Shekou, Nanshan District, Shenzhen through agreement transfer. The target of this transaction is within the land range of the agreement, and the land right is clear. According to the agreement, when performing construction on the unused land within the agreement range, the transferee of the land use right is Shekou Industrial Zone or the holding enterprise of China Merchants Group or Shekou Industrial Zone appointed by Shekou Industrial Zone. Shekou Industrial Zone presents confirmation letter to the state-owned land management department of Shenzhen, and the specific land use right person directly signs land transfer contract with the state-owned land management department of Shenzhen. However, the price in the land transfer contract is regarded as a part of the paid land price by Shekou Industrial Zone, and it is no longer paid to the land management department. At the same time, the specific use right person settles the money related to the land use right with Shekou Industrial Zone according to the appraisal price. Shekou Industrial Zone has the right to confirm the use right of the land of this transaction project and provide it to China Merchants Properties.

Basic condition of the target project is as follows:

Project name: Chuantou Square Project

Land location: West of Wanghai Road, Sea World, Shekou Industrial Zone

Land area: 6,999.03 square meters

Building area: 6,299.00 square meters, the building area of business and the service industry is 6,119.00 square meters, the building area of public toilet is 80.00 square meters, and the building area of property service housing is 100.00 square meters.

Land use period and purpose: The land use period is set as 40 years, and the land property is business and service industry facility land.

IV. Pricing policy and pricing basis of the transaction

(I) Pricing principle of the transaction

For the land use right transfer price of the above-mentioned block, it is planned to have the appraisal result of the Land Valuation Report (number: Shen Shi Peng Ping Zi No. QT20130808023) presented by the land valuation institution Shenzhen Supon Real Estate Land Appraisal Co., Ltd. as the pricing basis.

(II) Selection of the valuation institution

The valuation institution engaged by this transaction is Shenzhen Supon Real Estate Land Appraisal Co., Ltd., which has full independence and related assets appraisal qualification, valuation methods complying with the provisions and reasonable valuation conclusion.

(III) Valuation method and valuation result of the valuation institution for this transaction project

The base land price coefficient correction method and residue method are adopted for this valuation. According to the valuation result of the base land price coefficient correction method, the building land price is RMB 4,830 Yuan/square meter. According to the valuation result of the residue method, the building land price is RMB 13,410 Yuan/square meter. In this appraisal, the weight of the base land price coefficient correction method is 10%, and the weight of the residue method is 90%.

For the details of the appraisal result, see the table below:

Determination of the Land valuation Result

Project name	Base land price coefficient correction method		Residue method		Block land price
	Building land price (Yuan/m ²)	Weight	Building land price (Yuan/m ²)	Weight	Building land price (Yuan/m ²)
Shenzhen	4,830	10%	13,410	90%	12,550

Nanshan District Shekou Business and Service Industry Facility Land (Sea World-Chuantou Square)					
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I.e. the building land price of the valued block =12,550 (RMB Yuan/m², rounded to ten digits)

The planned building area of the valuation object Chuantou Square block is 6,298 m², and then:

The total land price=building land price × building area
= RMB 12,550 Yuan/m² ×6,298 m²
=7,904 (RMB 0,000 Yuan, rounded to ten thousands digits)

Land unit price =total land price ÷ land area
= RMB 79,040,000 Yuan ÷ 6,996 square meters
=11,298(RMB Yuan/square meter, rounded to one digit)

Thus we can see that:

The total land price: ¥ 79,040,000 Yuan;

V. Main content of the transaction agreement

1. Confirmation of the land use right

Shekou Industrial Zone agrees to assist the land ministry to confirm and provide the use right of the above-mentioned land within the land scope stated in the *Agreement on Handling the Land Use Problems of Shekou Industrial Zone* to the buyer according to the stipulations in the *Land Use Right Confirmation Contract* signed in this transaction.

2. Land use period

The land use period related to this transaction that Shekou Industrial Zone assists the land ministry to provide is determined by the land use period stipulated in the land transfer

contract signed between the buyer and the land ministry.

3. Delivery and use of the land

The day of the land transfer contract signed between the buyer and the land ministry is the delivery day of the land under the items of this contract, and the work of Shekou Industrial Zone assisting the land ministry to deliver the land under the items of this contract to the buyer is completed on the delivery day.

4. Land use right confirmation consideration money and the payment mode

The land use right purchase total consideration of the above-mentioned block is RMB 79.04 million Yuan. China Merchants Properties shall pay the above-mentioned consideration money to Shekou Industrial Zone all in once.

VI. Transaction purpose and impact on the Company

Purchasing the land use right of the above-mentioned block this time is the need for the overall development of the Sea World Block. According to the related planning of Shekou Industrial Zone “reconstructing the new Shekou”, the Sea World Block is the center business area of Shekou, and it will be constructed into a comprehensive community integrating business, office building, high-end residence and high-class hotel. At present, the comprehensive development of the Sea World Block is in progress, and some business and residence projects have already been put into use, for example, the projects such as Chuanwei Square, Chuanhou Square, Shenzhen Shekou Hilton Nanhai Hotel, China Merchants Square and Woods Apartment etc, surrounding the “Minghua Ship” are the important projects to build the image of international coast of the Sea World Block. When the substantial shareholder transfer the use right of the above-mentioned land to the Company, it not only expand the land resources of the Company, not also further enriches the varieties of the operating properties of the Company in the Sea World Block. The development and construction of the above-mentioned projects will promote the enhancement of the value of the property assets held by the Company in Sea World Block.

During the equity division reform and financings of the Company, Shekou Industrial Zone made the commitment: “according to the development plan and operation need of China Merchants Property, Shekou Industrial Zone will continuously inject high-quality

assets such as land etc. to support the development of China Merchants Property”. Through this transaction, Shekou Industrial Zone continues to implement the commitment, and it will promote the realization of the long-term strategic objectives of the Company.

VII. Total amount of all the related transactions with the related person from the beginning of the year to the disclosure day

From the beginning of the year to the disclosure day, the total amount of the land and housing rental transactions between the Company and Shekou Industrial Zone is RMB 22,260,000 Yuan. The Company and Shekou Industrial Zone jointly invested to establish companies, and the total investment is \$109,760,000 USD.

VIII. Prior approval and independent opinions of the Independent Directors

The Company notified the Independent Directors of the above-mentioned transaction in advance, provided the related data, conducted necessary communication, and got the approval of the Independent Directors. After careful review, the Independent Directors agree to submit the above-mentioned transaction matter to the Board of Directors for examination and approval.

According to the independent opinions of the Independent Directors: This related transaction is a normal operation behavior of the Company. The injection of the Chuantou Square block is good for the Company to further perfect the comprehensive construction of the Sea World complex, meets the operation development demand of the Company, and is the manifestation of the substantial shareholder implementing the commitment of injecting high-quality assets. The pricing of this transaction is determined according to the appraisal result of the professional land valuation institution, and it complies with the business practice of the land transaction market. The assets appraisal institution selected by the two parties of the transaction according to the transaction target has independence and related qualifications. The appraisal methods comply with the provisions, the transaction price is fair and reasonable, the procedures are standard, and it complies with the interests of all the shareholders of the Company.

IX. Directory of the documents for future reference

1. Announcement on the Resolutions of the 5th Temporary Meeting in 2014 of the 7th Board of Directors;

2. Independent Opinions of the Independent Directors on the Related Transaction Matter of the Company Purchasing the Land Use Right from the Substantial Shareholder;

3. Land Use Right Confirmation Contract;

4. Land Valuation Report.

We hereby publish the announcement.

China Merchants Property Development Co., Ltd.

Board of Directors

June 12, 2014